STATE OF CONNECTICUT

AUDITORS' REPORT
DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES
FOR THE FISCAL YEARS ENDED ON JUNE 30, 2013 AND 2014

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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June 22, 2017

INTRODUCTION

AUDITORS' REPORT
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FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2014

We have audited certain operations of the Department of Mental Health and Addiction Services (DMHAS) in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2013 and 2014. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;

2. Evaluate the department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and

3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department. For the areas audited, we identified:

1. Deficiencies in internal controls;

2. Apparent noncompliance with legal provisions; and

3. Need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Department of Mental Health and Addiction Services.

COMMENTS

FOREWORD

DMHAS operates under the provisions of Title 17a, Chapters 319i and 319j and Sections 17a-450 through 17a-715 of the General Statutes. The department's mission is to promote recovery from psychiatric and substance use disorders by providing an integrated network of comprehensive, effective, and efficient mental health and addiction services that foster self-sufficiency, dignity, and respect. The department's mandate is to serve adults older than 18 years of age with psychiatric or substance abuse disorders who lack the financial means to obtain services on their own. In addition to its mandate, the department provides collaborative treatment programs to Connecticut residents with co-occurring mental health and substance abuse disorders, individuals in the criminal justice system, persons with traumatic brain injury, and young adult populations transitioning out of the Department of Children and Families. DMHAS is designated as the lead state agency for substance abuse prevention and treatment, and as such is designated as the state methadone authority.

Organization Structure

During the audited period, the commissioner of DMHAS managed the department's operations through four major divisions: Agency Management, Clinical Support, Community Treatment and Prevention, and Health Promotion. The Agency Management Division conducts comprehensive statewide planning, data collection, policy analysis, and provides administrative and financial management. The Clinical Support Division manages inpatient services and

recovery support services. The Community Treatment Division focuses on outpatient programs, emergency crisis services, residential treatments, and housing assistance programs. The Prevention and Health Promotion Division provides advocacy services, education, training, and research.

DMHAS has divided the state into regions and catchment areas for the purposes of the delivery of mental health and substance abuse treatment services. There are 5 regions containing 23 catchment areas. Each catchment area, which is a defined geographic area based on population, receives mental health services as a unit, and is assigned to a local mental health authority (LMHA). As of June 30, 2014, there were 13 local mental health authorities in effect – 6 were state-operated local mental health authorities and 7 were private non-profit organizations. The 6 state-operated LMHAs listed below provide mental health services as well as manage and fund a network of non-profit agencies in their respective geographic regions.

- Region 1 – Southwest Connecticut Mental Health System (Bridgeport), including the F.S. DuBois Center and the Greater Bridgeport Community Mental Health Center, which serves lower Fairfield County.
- Region 2 – Connecticut Mental Health Center, which serves the New Haven area and the River Valley Services, which serves the Middlesex County.
- Region 3 – Southeastern Mental Health Authority, which serves the New London County.
- Region 4 – Capitol Region Mental Health Center, which serves the Hartford area.
- Region 5 – Western Connecticut Mental Health Network (Waterbury) – an umbrella unit that oversees the (1) Waterbury Mental Health Authority, which serves Northern New Haven County, (2) Danbury Mental Health Authority, which serves Northern Fairfield County, and (3) Torrington Mental Health Authority, which serves Litchfield County.

The 7 local mental health authorities that are operated by private, non-profit organizations are funded through grants from DMHAS. They maintain community-based network systems for mental health and addiction services in areas not covered by state-operated facilities.

DMHAS also operates the following 4 treatment facilities that provide inpatient psychiatric and/or substance abuse treatment services:

- Connecticut Valley Hospital in Middletown
- Connecticut Mental Health Center in New Haven
- Greater Bridgeport Community Mental Health Center in Bridgeport
- Capitol Region Mental Health Center in Hartford

Patricia A. Rehmer was appointed commissioner of DMHAS on October 23, 2009 and continued to serve as commissioner until March of 2015. Commissioner Miriam E. Delphin-Rittmon was appointed by Governor Dannel P. Malloy in April of 2015 and continues to serve in that capacity.

Boards and Commissions

Board of Mental Health and Addiction Services – Pursuant to Sections 17a-456 and 17a-457 of the General Statutes, the Board of Mental Health and Addition Services consists of members appointed by the Governor, Regional Mental Health Board chairs and designees, and designees from the Regional Action Councils for substance abuse. The board meets monthly with the commissioner of DMHAS and advises the commissioner on programs, policies, and plans for the department.

Psychiatric Security Review Board – Pursuant to Sections 17a-580 through 17a-603 of the General Statutes, the Psychiatric Security Review Board is an autonomous body that is placed within DMHAS for administrative purposes only. The board is composed of six members appointed by the Governor and confirmed by either house of the General Assembly. The board's mission is to protect the safety of Connecticut citizens by ordering treatment, confinement, or conditional release of persons acquitted of a crime by reason of mental disease or defect.

RÉSUMÉ OF OPERATIONS

DMHAS programs served 106,559 individuals during the 2012-2013 fiscal year and 107,963 individuals during the 2013-2014 fiscal year. The operations of the department, which were mostly accounted for in the General Fund and the Federal and Other Restricted Accounts Fund, are discussed below.

General Fund

General Fund receipts consisted primarily of refunds of prior years' expenditures and fees for the rental of cottages and residences to employees. A comparison of General Fund receipts during the audited period, along with those of the preceding year, follows:

	2011-2012	2012-2013	2013-2014
Rental of Cottages or Residences	$ 85,374	$ 90,435	$ 87,197
Refund of Prior Years' Expenditures	18,551,071	987,182	3,078,971
Others	30,296	64,079	32,484
Total Receipts	**$18,666,741**	**$ 1,141,696**	**$ 3,198,652**

The significant decrease in Refund of Prior Years' Expenditures was caused by DMHAS transitioning from an intergovernmental transfer agreement with the Department of Social Services (DSS) during the 2011-2012 fiscal year for Medicaid reimbursement to the certified public expenditures method during 2012-2013 fiscal year. Under the transfer agreement with DSS during the 2011-2012 fiscal year, DMHAS received refunds attributed to Medicaid reimbursements for services provided by DMHAS operated facilities. These refunds did not occur during the 2012-2013 fiscal year under the certified public expenditures method. Refunds

during the 2013- 2014 fiscal year were received from private providers for unexpended contract funds.

The General Fund is the department's main operating fund. All expenditures not required to be accounted for in a specified fund are recorded in the General Fund. A summary of General Fund expenditures, including expenditures of the Psychiatric Security Review Board, for the fiscal years under review and the preceding year follows:

	2011-2012	2012-2013	2013-2014
Personal Services	$288,758,255	$275,827,888	$287,274,493
Workers' Compensation	11,255,045	10,908,502	11,990,126
Contractual Services	33,589,461	33,863,031	38,261,053
Client Services	13,984,656	13,329,464	16,693,544
Premises and Property Expenses	14,085,706	13,844,857	14,258,684
Information Technology	2,996,173	3,680,925	4,633,493
Purchased Commodities	12,877,163	11,841,508	12,565,568
State-Aid Grants	387,830,699	408,383,030	346,164,976
All Other Charges	5,372,033	5,359,704	5,384,669
OSC Adjustment for GAAP	0	0	1,217,300
Total	$770,749,191	$777,038,909	$738,443,906
Medicaid Disproportionate Share- Budget Costs	(77,639,940)	(79,818,546)	(79,818,546)
Total Expenditures	**$693,109,251**	**$697,220,363**	**$658,625,360**

The majority of General Fund expenditures were for personal services, state-aid grants that funded a community-based network of services, and contractual services. Personal services during the 2011-2012 fiscal year included state employee wages for 27 pay periods in comparison to 26 pay periods in the fiscal year ended June 30, 2013. The increase of personal service expenditures during the 2013-2014 fiscal year was due to changes in collective bargaining contracts, most of which allowed a 3% cost of living increase and an annual increment step increase. As of June 30, 2014, the department had 3,038 full-time employees whose salaries and wages were paid from the General Fund.

The increase of state-aid grant expenditures during the 2012-2013 fiscal year was due to an increase in the enrollment of low income adults (LIA) from 77,798 individuals in 2011-2012 to 90,184 individuals in 2012-2013. Effective January 1, 2014, the federal government assumed medical care costs for LIA which led to an expenditure reduction during the 2013-2014 fiscal year and the elimination of this program from the DMHAS budget in the 2014-2015 fiscal year. Adult clients formerly served by this program, as well as new enrollees, were transferred to the federal Medicaid Coverage for the Lowest Income Population Program (MCLIP).

The largest expenditures of contractual services were for medical services provided by non-profit organizations. Of these expenditures, DMHAS paid $15,459,482 and $16,693,997, in the

2012-2013 and 2013-2014 fiscal years, respectively, to fund the Connecticut Mental Health Center in collaboration with Yale University as required by Section 17a-459 of the General Statutes.

Medicaid disproportionate share reimbursements were permitted by an approved amendment to the state's Medicaid plan under Section 1923 (c) (3) of the Social Security Act. That amendment provided payment adjustments to the state for the cost of care for uninsured low-income persons in certain state-operated psychiatric hospitals. The disproportionate share deposits of $79,818,546 were applied as reductions to DMHAS General Fund expenditures in each of the audited years. Reimbursements related to fringe benefits totaling $29,116,454 were credited to the State Comptroller's accounts in each of the audited years.

Federal and Other Restricted Accounts Fund

A comparison of Federal and Other Restricted Accounts receipts for the fiscal years under review and the preceding year follows:

	2011-2012	**2012-2013**	**2013-2014**
Federal	$47,839,524	$38,747,175	$52,710,612
Restricted State Grants	6,247,188	5,389,412	6,248,147
Other Grant Transfers	12,785,176	11,005,330	12,279,315
Investment Income	2,748	825	175
Total Receipts	**$66,874,636**	**$55,142,742**	**$71,238,249**

The major sources of receipt activities in the Federal and Other Restricted Accounts Fund were from 2 federal programs, Continuum of Care (CFDA 14.267 formerly under the Shelter Plus Care CFDA 14.238) and Substance Abuse Prevention and Treatment Block Grants (CFDA 93.959). In combination, the department received approximately $30 million for these 2 programs in each audited year. The fluctuation in federal grant receipts was caused by the shutdown of the federal government during the 2012-2013 fiscal year. During the 2013-2014 fiscal year, federal cash balances became available for the department to draw down. Restricted state grants consisted primarily of grants for the Pretrial Account and Compulsive Gambling Treatment programs. DMHAS also received transfers from other state agencies, including the Department of Correction and the Judicial Branch for services provided in the Residential Substance Abuse Treatment program.

A summary of the department's Federal and Other Restricted Accounts Fund expenditures follows:

	2011-2012	2012-2013	2013-2014
Personal Services	$ 872,580	$ 1,421,907	$ 1,393,277
Contractual Services	2,326,885	949,903	1,379,718
Client Services	17,776,329	16,588,078	17,351,226
Premises and Property Expenses	332,509	31,613	186,867
Information Technology	291,862	193,367	103,498
Purchased Commodities	113,756	41,568	39,205
Federal & Restricted Grants	47,428,417	46,002,358	47,396,008
All Other Charges	245,654	73,530	153,689
Total Expenditures	**$69,387,992**	**$65,302,324**	**$68,003,488**

The expenditures of the Federal and Other Restricted Accounts Fund remained relatively stable during the audited period except during fiscal year 2012-2013 when the shutdown of the federal government affected DMHAS operations.

Special Revenue Funds – Expenditures

In addition to activities in the General Fund and Federal and Other Restricted Accounts Fund, the department was authorized to spend special revenue and capital improvement funds, which were used to finance activities in accordance with specific state laws and regulations. Funds in this group were financed with bond sale proceeds or through specific state revenue dedicated to the renovation of state-owned facilities and capital improvement grants to non-profit organizations that were part of the DMHAS provider network. Expenditures in the audited fiscal years and those of the preceding fiscal year are summarized below.

	2011-2012	2012-2013	2013-2014
Grants – Tax Exempt Proceeds	$ 9,868	-	-
Capital Improvement Purchase Fund	783,975	1,643,793	2,671,856
Bond Fund for Non-Profits' Capital Improvement	1,448,278	1,210,479	2,802,942
Bond Fund for Capital Improvement and Others	1,928,854	1,332,118	799,428
Insurance Fund	-	-	435,000
Total Expenditures	**$4,170,975**	**$4,186,390**	**$6,709,226**

Inpatient Per Capita Cost

Under the provisions of Sections 17b-222 and 17b-223 of the General Statutes, the State Comptroller determined annual per capita costs for the care of persons in state humane institutions. The per capita costs for the inpatient care during the audited period were as follows:

	2012-2013		2013-2014	
	Daily	**Annual**	**Daily**	**Annual**
Connecticut Valley Hospital	$1,427	$520,855	$1,341	$489,465
Connecticut Mental Health Center	2,277	831,105	2,045	746,425
Southwest Connecticut Mental Health System	1,296	473,040	1,249	455,885

The most significant change was in the inpatient per capita rate for the Connecticut Mental Health Center, which included a large positive roll-forward adjustment in fiscal year 2013 and a negative roll-forward adjustment in fiscal year 2014. The roll-forward adjustments primarily consisted of the differences between projected costs and actual costs.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

We believe that the following matters require disclosure and management's attention.

Payroll Matters

Background: In January 2011, DMHAS began converting its employee time and attendance reporting to Core-CT self-service. All DMHAS facilities, with the exception of Connecticut Valley Hospital (CVH), were fully converted to self-service time and attendance as of October 2012. Beginning in September 2013, CVH employees, with the exception of the nursing division, were converted to the self-service module in Core-CT.

Criteria:

1) Timesheets – Proper internal control dictates that formal policies and procedures related to timekeeping should be established to provide guidance for employees to enter their time correctly into Core-CT and for supervisors to understand their review responsibilities and approval deadlines. Timesheets should be approved in a timely manner by supervisors with direct knowledge of employees' actual work hours.

2) Physicians and Psychiatrists' On-site On-call Hours – The 1199 bargaining unit agreement permits physicians and psychiatrists to perform on-site on-call shifts, but limits them to two 16-hour shift assignments or one 16-hour shift assignment plus two 12-hour shift assignments in any 7-day period. All on-call hours in excess of these limits must be approved by management.

3) Compensatory Hours – The Department of Administrative Services (DAS) Management Personnel Policy 06-02 authorizes the earning of compensatory hours only when the managerial employees perform significant extra time and the hours are preapproved by management.

4) Leave-In-Lieu of Accrual (LILA hours) – The LILA time reporting code is meant to be used temporarily until the monthly leave accruals or compensatory leave hours are posted to the employee's balance. State agencies are required to review monthly usage of LILA time reporting codes and adjust these hours to the appropriate leave accrual balances. Failure to change the LILA code in a timely manner could result in employees using more leave time than they are entitled to.

Condition:

1) Timesheets – Our review disclosed that as of December 31, 2015, the department had not finalized and implemented its draft policy

related to self-service timekeeping. Our review of 17 self-service timesheets disclosed that 8 timesheets were submitted 1 to 13 days prior to the end of the pay period. There were 3 timesheets approved by individuals not listed as the employees' direct supervisors. Our review of 8 non-self-service timesheets disclosed that 7 timesheets were approved by individuals not listed as the direct supervisors of the employees. Seven of these timesheets were signed 2 to 31 days after the pay periods had ended.

2) Payments to Physician and Psychiatrist's On-site On-Call Hours – We reviewed the 10 highest on-call payments to employees in 1 pay period. Our review disclosed that 9 out of 10 tested employees were paid for on-call shifts in excess of the bargaining unit's limit and without any evidence of managerial approval. Payments for these on-call shifts totaled $93,760, of which $23,680 exceeded the contractual limits. In addition, 9 employees worked 24-hour shifts 3 to 8 times in a 14-day pay period.

3) Compensatory Hours for Managerial Employees – We reviewed the compensatory hours in 1 pay period for 15 selected employees. Our review disclosed that 8 managerial employees earned 124 compensatory hours without documentation of prior approval. There was also no record to explain why 6 other exempt employees earned 78 compensatory hours.

4) Leave-In-Lieu of Accrual (LILA hours) – As of June 30, 2014, there were 54 employees with positive LILA balances totaling 618 hours. As explained in the criteria, LILA was a temporary time recording code. The positive LILA hours were not earned by the employees and should have been redistributed to the appropriate leave accrual balances. Our review of the 10 highest balances showed that employee usage of LILA hours in fiscal years 2012-2013 and 2013-2014 did not reduce leave accrual balances. At the time of our review, DMHAS did not have procedures to periodically review the usage of LILA codes to properly adjust employee leave balances.

Effect:

1) When timesheets were approved by individuals without direct knowledge of employees' actual work hours, the department was at higher risk of paying for hours that may not have been worked. Without written policies and procedures, timekeeping records remained inconsistent and susceptible to error.

2) Lack of managerial controls over physicians' excessive on-site on-call hours increased the risk that state resources were not used efficiently.

3) Allowing exempt employees to earn compensatory hours without prior managerial approval could result in unnecessary increases of personal services expenditures.

4) Unadjusted LILA balances indicated that employees took more paid leave hours than they had earned.

Cause: Due to other competing payroll priorities, DMHAS did not finalize and implement written procedures requiring 1) timesheets to be submitted timely and approved by supervisors with direct knowledge of employees' actual work hours, 2) compensatory hours earned by managerial employees to be paid only when the hours are preapproved by managers, and 3) medical directors to review physician's on-site on-call hours in excess of the bargaining contract limits. Payroll employees did not follow Core-CT guidance regarding the necessity to review and adjust LILA balances.

Recommendation: The Department of Mental Health and Addiction Services should establish formal policies and procedures for self-service payroll and monitor physicians' on-site on-call hours, compensatory hours, and the usage of the Leave-In-Lieu of Accrual reporting code. (See Recommendation 1.)

Agency Response: "Procedures for self-service payroll including time and attendance data entry, approval process and record retention have been developed. This procedure includes a CORE-CT Self-Service Payroll Audit Schedule that will address the proper auditing of compensatory time, LILA and Physician On-site–On-call payments. The DMHAS Time Keeping Policy is currently under revision. Also, the DMHAS has submitted a request for proposal (RFP) for an Electronic Time Keeping and Scheduling System. Procedure for Exempt Employee Compensatory Time Earned has been drafted and is currently under review and pending approval."

Personnel Matters

Criteria:

1) Evaluations – Section 5-237-1 of the state personnel regulations requires that an annual evaluation be completed for each permanent employee at least 3 months prior to the employee's annual salary increase date.

2) Personnel Records – Employee personnel files should contain adequate documentation to verify employee qualifications, dependent eligibility for enrollment in the state-sponsored health insurance plan, approved work schedules, and other records

adjusting leave benefits. Department of Administrative Services General Letter No. 204 requires each state agency to fully execute form CT-HR-25 before any hours can be worked by the employee in a secondary state employment position. Sound business practices suggest that procedures be in place to ensure employees return all state property upon termination.

3) State Employee Housing Contract – The State Employee Housing Policy states that a housing agreement approved by the Department of Administrative Services must be in place prior to an employee's occupancy of the leased property.

4) Medical Certificates – According to Section 5-247-11 of the state personnel regulations, a medical certificate is required to be submitted to substantiate a period of sick leave consisting of more than 5 consecutive working days.

5) Workers' Compensation – The Department of Administrative Services prescribes a claim reporting packet for state agencies to document the facts of a worker's compensation incident.

6) Overtime –

   a) *Sign-In Procedure* – Sound business practice requires the agency to have clear and consistent procedures so that all employee attendance and overtime hours can be verified.

   b) *Documentation of Overtime Distribution* – Article 13 of the 1199 bargaining unit agreement provides basic procedures for distributing and scheduling voluntary and mandatory overtime shifts among eligible employees, and permits the parties to establish an agreement to improve the assignment of voluntary and mandatory overtime to fit the needs of individual facilities. Documentation of overtime assignments and rotations should be retained in accordance with the State Records Retention Schedule.

   c) *Consecutive Work Hours* – Sound business practice calls for policies and procedures to monitor employee consecutive work hours to prevent adverse effects on the quality of care for patients and employee safety.

7) Paid Administrative Leave – Section 5-240-5a of the state personnel regulations governs employee dismissal and paid administrative leave to permit an administrative investigation. The paid administrative leave period is limited to 15 days for an

investigation under subsection 5-240-5a (f) and 30 days for an investigation under subsection 5-240-5a (h). The state agency is required to immediately report to the commissioner of the Department of Administrative Services when an employee is placed on administrative leave and to obtain approval when additional paid leave days are needed for investigations under these subsections of the regulations.

Condition:

1) Evaluations – Three out of 25 employees selected for our review did not have an annual performance evaluation on file. We noted an additional 3 evaluations in which either the employee's signature was missing or the evaluation was not approved by the reviewers for 5 to 8 months after the review period. For 6 employees, the annual performance rating was not posted in Core-CT HRMS, the state's official human resource database.

2) Personnel Records – We reviewed 25 personnel files and noted the following missing records:

   - Two personnel files did not contain evidence of the dependents' eligibility for enrollment in the state-sponsored health insurance plan. One file did not include evidence of the employee's qualifications for the Mental Health Assistant 1 position.
   - In our review of the records of 10 terminated employees, we noted 9 instances in which there was no documentation that employees returned all state property assigned to them.
   - The department periodically reviewed payments for holidays on non-holiday work days and adjusted employee leave balances. In 2 out of 10 adjustments, the department did not notify the employees of the adjustments.
   - Personnel records of a managerial employee did not include a schedule of approved work hours or evidence that the DMHAS Human Resources Office was informed of the employee's contracted work with the Connecticut Judicial Branch. Our review disclosed that the employee had significant flexibility to change her DMHAS employment hours in order to perform contracted work at the Judicial Branch and to continue receiving leave accruals and health benefits as a full-time DMHAS employee. The employee charged 230 vacation hours and 100 compensatory hours to her attendance at DMHAS on the days that the employee contracted with the Judicial Branch. Our review disclosed 36 other work days with potential overlaps between DMHAS work hours and contractual hours at

the Judicial Branch. The employee was also overpaid $1,980 for 13 paid holidays. The voluntary schedule reduction requests (VSRP) in the employee's personnel file did not cover 187 days, or 1,456 unpaid leave hours taken. We forwarded the details of our review to DMHAS management to follow up on the identified instances of possible overlapping hours and any potential conflict of interests in which DMHAS resources could have been used for the employee's contracted work with the Judicial Branch.

3) State Employee Housing Contract – The department had lease agreements with 13 employees who resided in state-owned properties during the audited period. We reviewed rent payments of 5 state employees. For 1 employee, the department could not locate a lease agreement to support a biweekly deduction of $129 during the 2012-2013 and 2013-2014 fiscal years. The department provided us with a lease agreement that was approved by the Office of Policy and Management and the Office of the Attorney General in March 2015, one year after the lease commencement date in March 2014 for a biweekly rent of $177.

4) Medical Certificates – We reviewed 10 employees with more than 5 consecutive days of sick leave and found that the department did not obtain medical certificates from 4 employees. In 1 instance, the employee continued to receive 19.75 leave accrual hours while charging more than 5 days of unpaid leave in a month. Two medical files did not include a leave request or a certificate clearing the employee to return to work.

5) Workers' Compensation – We reviewed 10 workers' compensation claims. In addition to incomplete forms, we found that 5 claims were missing forms required by the Department of Administrative Services, such as the Supervisor's Accident Investigation Report, First Report of Injury, and the Concurrent Employment Third Party Liability form.

6) Overtime – We tested the overtime hours of 10 employees at Connecticut Valley Hospital and noted the following conditions:

   a) *Lack of sign-in procedure* – We noted that employees working in the Whiting Forensic Division were not required to sign in for shifts. The division director informed us that employees swiped their IDs to enter the building and that the supervising nurse used the ID swipe card data to identify employees in attendance. This verification method did not provide a valid audit trail. Employees were not required to swipe their ID cards

when leaving the building. As such, we could not verify whether employees worked one shift or all three shifts in a day. Employees could also swipe their ID cards without actually entering the building or reporting to their work stations.

b) *Missing Documentation of Overtime Opportunity Rotation* – Documentation supporting equal rotation of overtime opportunities was not available for review. Overtime pre-book lists were not organized in a manner that allowed the department to readily retrieve them for audit.

c) *High Numbers of Consecutive Work Hours and Days* – We reviewed 10 employees and noted that their work hours appeared very excessive. Each of the 10 employees worked 15.25 hours to 23.75 hours per day on multiple occasions. Eight employees worked 13 to 41 days consecutively without a day off. One of the 8 employees worked 11 mandated shifts totaling 205 hours in a 14-day period.

7) Paid Administrative Leave – Our review of 10 instances in which DMHAS put employees on paid administrative leave to investigate complaints of wrongdoing disclosed that in 3 instances, employees were put on paid leave 2 to 6 months beyond their bargaining unit contractual limits. We calculated that employees were paid for 1,950 hours or $56,023 for the period of paid administrative leave beyond the contractual 2-month limit. In 2 instances, payments were incorrect when an employee was on paid leave for 3 days beyond the department's approval date. We also noted that another employee was placed on suspension 1 day earlier than the approved date. In one instance, there was no evidence that the DMHAS human resources office approved a day of paid administrative leave. In another instance, an employee was put on paid administrative leave for a month, but the Department of Administrative Services was not notified of the leave.

Effect:

1) Evaluations – DMHAS was not in compliance with state personnel regulations governing annual evaluations. In addition, the lack of current evaluations increases the risk that employees will receive annual increases to which they are not entitled.

2) Personnel Files – Missing important personnel documents could lead to health insurance benefits being provided to ineligible dependents. When employees are not held to an approved work schedule, there is risk that the department's operational needs may not be met. Permanent positions could be filled by unqualified individuals.

3) State Housing Contract – Late execution of state housing contracts could cause erroneous rent collections and subject the state to undisclosed liabilities.

4) Medical Certificates – Inadequate enforcement of medical certificate requirements could result in the abuse of sick leave and contribute to the need for overtime hours.

5) Workers' Compensation – Payments could be made for ineligible claims and ineligible work days when workers' compensation files do not include important evidence of supervisory accident reports and third-party liability forms.

6) Overtime – Without signatures and documentation of overtime rotation, there was no assurance that overtime hours were actually worked and distributed in accordance with the bargaining agreements. Excessive overtime hours could affect quality of care.

7) Paid Administrative Leave – When employees remained on paid administrative leave longer than the limits imposed under the state personnel regulations, the department incurred additional salary expenses without proper authorization from the commissioner of the Department of Administrative Services.

Cause: The complexity of the department's workforce and personnel processes contributed to the errors and missing documentation. Coordination among various regional human resources offices was lacking.

Recommendation: The Department of Mental Health and Addiction Services should improve oversight of its personnel procedures and practices. (See Recommendation 2.)

Agency Response: "Evaluations – DMHAS has implemented the practice of reviewing evaluations that are due or coming due as a standing agenda item at its monthly Facility Human Resource (HR) meetings in which the facility chief operating officers are present. This practice began approximately in January 2016. This effort will be used to track deficiencies and evaluate issues delaying the return of evaluations in a timely fashion.

Personnel Records – Going forward employee personnel files will be periodically reviewed to ensure all necessary documentation including dual employment forms, employee's dependents eligibility for the state health insurance program, and approved work schedules are maintained.

In addition, the Department will initiate a uniform procedure to track personal property given to employees and to ensure the property is timely returned to the respective departments from which issued.

With respect to the managerial employee, the Judicial Branch is the secondary employment agency which is responsible for initiating and reporting a dual employment relationship as required the Connecticut General Statute Section 5-208a. Currently, DMHAS is continuing its review of this matter regarding the issue of overlap hours.

State Housing Contract – The Connecticut Valley Hospital (CVH) agrees with this finding and is putting in place a system to ensure that lease agreements are created and updated in a timely manner.

Medical Certificates – Efforts will be strengthened to conform with the statutory requirement that medical certificates be submitted to the Department by employees whose absences are greater than five days.

Workers' Compensation (WC) – DMHAS is working with its IT Department's Business Unit to develop a WC Database that will enhance the effectiveness of the DMHAS WC program. This database will have a build-in feature to ensure all required forms are received prior to allowing further processing of individual claims. Final development, testing and implementation phase is scheduled for 2017. Currently, the DMHAS WC Unit reviews all forms received for completeness and accuracy and emails individuals and/or supervisor to obtain completed forms. DMHAS WC liaisons have also been granted "view only" access to the CVH Nursing Accubase Time and Attendance system to assist in the receipt of all required WC forms;

Overtime/Lack of sign-in procedure –

A) The DMHAS has submitted a Request for Proposal (RFP) for an Electronic Time Keeping and Scheduling System which will include significant functionality to manage, schedule, distribute, and record all work hours including overtime.

B) Missing Documentation of Overtime Opportunity Rotation – DMHAS conducted a LEAN Project that included the CVH Nursing Support staff in November 2015. One of the outcomes of this LEAN project was that all CVH Pre-book Overtime data will be electronically scanned onto a shared drive folder for easy retrieval.

C) High Numbers of Consecutive Work Hours and Days – DMHAS recently hired several Directors of Nursing that continuously monitor staffing levels and patient acuity and to make any necessary adjustments required to work the cited number of days and/or hours.

Paid Administrative Leave – If an extension of administrative leave is necessary, the request will be made to the appropriate regulatory authority and copy of the request will be placed in the investigatory file."

Personal Service Agreements and Housing Assistance Contracts

Criteria:

1) Section 4-213 of the General Statutes requires that no state agency may hire a personal service contractor without executing a personal service agreement with that contractor.

2) Title 24 Code of Federal Regulations (CFR) section 578.51 requires a Housing Assistance Payment (HAP) contract to be executed between the administering state agency and the landlord for the tenant-based rental assistance component of the Continuum of Care Program.

Condition: Our review disclosed the following:

1) Five out of 15 personal service agreements were approved 3 to 30 days after the contract commencement dates.

2) Our review of payments made to 3 landlords disclosed that 2 did not have Housing Assistance Payment contracts with the department in the 2013-2014 fiscal year. DMHAS paid rental subsidies totaling $43,497 to 1 landlord and $128,600 to the second landlord.

Effect:

1) DMHAS violated state purchasing regulations by not executing agreements before the contractual start dates.

2) By placing clients in housing arrangements without executing agreements with the landlords, the department was not in compliance with federal grant requirements and consequently, assumed a higher liability risk.

Cause: The delays in contract execution and lack of contracts during the procurement process were an oversight.

Recommendation: The Department of Mental Health and Addiction Services should improve controls over personal service agreements and housing assistance contracts. (See Recommendation 3.)

Agency Response: "The Department was able to hire an additional Grants and Contracts Specialist which will now allow Personal Service Agreements to be executed in a timely manner. Personal Service Agreements have been put in place for all landlords in the housing assistance program. In addition, the Department has implemented an improved tracking method to include contract expiration reports to assure timely execution of new Personal Service Agreements as needed."

Grants and Purchase of Service Contracts

Criteria:

1) The Office of Policy and Management (OPM) published the Procurement Standards for Purchase of Service Contracts (POS) for state agencies to manage large health and human service contracts. The contractors are required to obtain a state agency's prior approval for all line item expenses exceeding the approved budget by 20% or $20,000, whichever is more. The contractors are required to submit annual financial reports no later than September 30th and audited financial statements no later than 6 months after the close of the contractor's fiscal year. The state agency is required to obtain OPM approval for any contract amendment with a total value of $50,000 or more.

2) Various sections of the General Statutes and executive orders require that gift and campaign contribution affidavits, nondiscrimination certification affidavits, and consulting agreement affidavits be updated annually for all state contracts valued at $50,000 or more.

3) Section 4-87 of the General Statutes prohibits transfers to or from any specific appropriation for more than $50,000 or 10% of any such specific appropriation, whichever is less, in a fiscal year without the consent of the Finance Advisory Committee (FAC).

Condition:

1) We reviewed 20 POS contracts and found that the annual budgets of 19 contracts were not approved until 9 to 12 months after the contract amendment effective dates. Six contractors did not obtain prior approval from the department for line item expenses exceeding 20% or $20,000 of the allowable variances. Audited financial statements submitted for the 2012-2013 fiscal year contracts were reviewed 5 to 10 months after their submission date. None of the audited financial statements submitted for the 2013-2014 fiscal year contracts were reviewed as of the date of our

audit in August 2015. One annual financial report was submitted 10 months after its due date. In the review of the Behavioral Health Recovery Program as of June 30, 2014, we found that 17 checks, totaling $33,151, remained outstanding for as long as 6 to 10 years on the department's ledger.

2) Twelve contractors did not update their annual gift and campaign contribution affidavits. Ten contractors did not file their annual consulting agreement affidavits. Fourteen contractors did not file signed nondiscrimination affidavits. Our review also disclosed that 3 contract amendments greater than $50,000 did not contain evidence of OPM approvals.

3) Our review of 10 manual adjustment entries of expenditures affecting the state grant accounts disclosed that 2 journal entries, transferring expenditures of $504,817 among different appropriations, were not supported by changes in purchase orders or documentation to explain why the original expenditure coding was not accurate. There was no evidence of Finance Advisory Committee approvals for the transfers of specific appropriations.

Effect:

1) Without timely review and approval of contractor annual budgets, the department was not in compliance with the OPM cost standards and, as a result, reduced its ability to manage program costs. Delays in reviewing annual financial reports and audited financial statements could result in failure to recover unexpended state funds in a timely manner. Contract discrepancies and missing documents were not brought to management's attention for timely corrective actions.

2) DMHAS was not in compliance with state laws requiring annual updates of gift and campaign contribution affidavits, consulting agreement affidavits, and nondiscrimination affidavits.

3) Without documenting a valid reason to adjust expenditures and FAC approvals, the department violated section 4-89 of the General Statutes requiring unspent funds of specific appropriated accounts to be lapsed at year end.

Cause:

1) The department experienced a shortage of contract staff due to illnesses or retirements during the audited period, which led to delays in reviewing the audited financial statements.

2) There was inadequate monitoring of the contractor annual gift and campaign contribution affidavits, consulting agreement affidavits, and nondiscrimination affidavits.

Fiscal staff members who entered the adjustment entries noted above were focused on documenting that the entries were posted in Core-CT rather than documenting the reasons to support the legality and validity of the accounting adjustments.

Recommendation: The Department of Mental Health and Addiction Services should comply with procurement standards for purchase of service contracts established by the Office of Policy and Management and ensure that providers are in compliance with state ethics laws requiring annual updates of various affidavits. (See Recommendation 4.)

Agency Response: "Response to Condition #1: A new contract and budget submission process has been implemented to ensure timely review and approval of all POS contracts and budgets. Staff members from a different unit are being trained in audit review. This work is being overseen by an experienced staff person that has conducted audit reviews previously and will continue training staff as warrant.

DMHAS Budget staff worked with Bank of America and the Department's Administrative Service Organization in the fiscal year 2016 to identify the 17 checks outstanding totaling $33,151 in the department's ledger. DMHAS Budget staff will update the department's ledger to void these 17 outstanding checks

Response to Condition #2: The responsibility for the review and submission of contract forms has been transferred to the Contract Monitors to improve accuracy and submission of all necessary contract forms. All contract requests are submitted to OPM by the Director of Business Administration which are tracked in contract databases.

Response to Condition #3: DMHAS agrees that two journal entries transferring $504,817 of expenditures among different appropriations and that the changes were not supported by changes in purchase orders. The adjusting entries in question were done using a valid appropriation that supported the services. Going forward, DMHAS will keep additional documentation to support the validity of the accounting adjustments."

Young Adult Services Client Support Funds

Background: The Young Adult Services (YAS) Division has funding available to promote successful transition of youth into adulthood. YAS client support funds are granted to the program participants based on clinical and financial needs. There are regional YAS programs that are run by DMHAS operated facilities and by private non-profit providers (PNP)

acting as fiduciary agents. Clients are usually qualified for a 12-month grant, which can be extended. In addition to grants, client service funds can be used for administrative overhead and discretionary group activities. In response to the prior audit findings, DMHAS took steps to revise its YAS contracts with non-profit providers and issued new guidelines for providers to follow. During the 2013-2014 fiscal year, 17 PNPs received a total of $4,293,118 to administer YAS client support funds.

Criteria:

1) To establish and ensure a full understanding between the department and a contractor, a contract and its associated documents must be well written and include sufficient program requirements. Payments should only be made for services included in the contract. Section 3-117 of the General Statutes states, in part, that the agency shall certify that such articles or services have been received or, if not yet received or performed, are covered by contracts properly drawn and executed.

2) Sound business practices require that contracted non-profit providers establish policies and procedures regarding the management of YAS client support funds to ensure compliance with the terms prescribed in the contract and the DMHAS YAS Client Support Fund Guidelines.

3) The contractor is required to implement the programs and services described in the contract with DMHAS. The department's policies and procedures require monitoring of the contracts to ensure that the providers are delivering the specific services included in their DMHAS contract.

4) According to DMHAS Guidelines for Use of YAS Client Support Funds, applying youth must demonstrate a need for additional financial assistance. YAS client support funds are to pay for basic and necessary living expenses and support identified in the client recovery plan. Budgets for YAS client support funds are allocated annually based on availability of resources. Excess or unexpended funds cannot be carried forward to the following year. Prudent state fund management requires state agencies to consider activities within Connecticut before taking clients to out-of-state events.

Condition:

Our review of 3 non-profit providers receiving YAS client support funds disclosed the following.

1) One out of 3 contracts did not include terms and requirements to ensure compliance with the client support fund program

guidelines. The contractor reported expenditures totaling $622,590 for the YAS client support funds, which were provided to an average of 32 clients per month.

2) For 2 private providers, the policies or procedures for the management of YAS client support funds were inconsistent with the guidelines issued by DMHAS. These inconsistencies led to substantial uncertainty regarding how the providers managed and reported expenditures totaling $1,033,077 in the 2013-2014 fiscal year.

3) A provider did not perform its contractual responsibilities as the representative payee for clients enrolled in the YAS client support fund program at DMHAS River Valley Services (RVS). Amendment 6 to contract 11MHA2089AA required the contractor to provide money management services and act as representative payee for 50 DMHAS clients totaling $410,487 in the 2013-2014 fiscal year. The RVS Client Fund balance sheet as of June 30, 2014 showed 30 YAS clients who had fund balances in the management of DMHAS River Valley Services. According to the contract, responsibilities of the client's representative payee included budget development for each client, assessing client needs for eligibility of YAS support funds, obtaining client approval to act as representative payee, and meeting all responsibilities of the Social Security Administration Act. At the time of our review in October 2015, DMHAS employees at River Valley Services were still performing representative payee tasks. The contractor's task was limited to issuing checks for disbursements requested by DMHAS employees. Neither DMHAS River Valley Services nor the contracted provider could supply the supporting documentation required by the DMHAS guidelines, such as the client's consent to participate, the annual budget, or verification of the client's financial needs.

4) The third selected provider was contracted to manage YAS client support funds at the Southwest Connecticut Mental Health System. Our review identified expenditures for enrichment group activities, including out-of-state activities, without written justification to explain why comparable activities in Connecticut were not sufficient. Expenditures for group activities totaled $77,003 and $85,792 during the 2012-2013 and 2013-2014 fiscal years, respectively. There were no attendance sheets for clients and state employees participating in these events. As such, we could not verify the reasonableness of the staff to client attendance ratio. We were able to confirm that 70% of tested expenditures for group activities could not be traced to the client treatment plans.

We observed that budgetary and accounting controls were inadequate. There were no annual budgets for existing clients. Available monthly budgets for 8 out of 11 tested clients did not account for utilities. There was no report of cumulative YAS client support funds granted to a specific client in a fiscal year. Other accounting deficiencies that came to our attention were fees and dues charged to clients, fundraising expenditures and proceeds, and purchases of furniture. DMHAS program employees charged clients certain fees and dues to offset expenditures for trips and social events. Nevertheless, we could not trace the levied client fees to DMHAS program policies of cost sharing or management approvals. Accounting for rents, utilities, food and clothing was allocated to client benefits when obtained for a specific client, but were not allocated to client benefits when purchased in bulk. There was no distinction between furniture purchased by a client using support funds granted by DMHAS and furniture purchased by the provider for the benefits of other DMHAS clients occupying the apartment. For group activities, gift cards were often used instead of debit cards. For a trip to Washington DC, DMHAS staff requested 5 Wal-Mart gift cards totaling $5,000. This practice circumvented the accountability requirement for vendor invoices and supervisory approvals of the purchase distribution. Client support funds were also used for fundraising activities in which proceeds were kept by the program director. As of the date of our review in June 2016, we observed that cash balances totaling $509 and $619 from the fundraising activities were kept by program staff. Neither the contracted provider nor the DMHAS fiscal office was informed of the collection of client fees or the total proceeds from fundraising activities related to YAS client support funds. At the end of the 2014-2015 fiscal year, DMHAS program staff also submitted a request to increase the debit card balance to $3,500 to avoid lapsing funds. This practice contradicted the intent of the fund guidelines because YAS client support funds were to provide critical basic needs for the clients. Unexpended funds could not be carried into the following year.

Effect:

1) When contract language did not include the relevant program requirements, there was no assurance that the provider spent YAS client support funds to achieve the program's goals.

2) The lack of provider policies and procedures led to a higher risk that YAS client support funds could be spent and accounted for in a manner inconsistent with DMHAS guidelines.

3) State funds were spent for services not provided by the contracted provider. State employees continued to perform tasks that had been outsourced.

4) Budgetary and accounting deficiencies reduced the transparency that client support funds were granted to clients with financial needs and effectively spent for basic and necessary living expenses.

Cause:

1) The missing contract terms for YAS client support fund appeared to be an oversight.

2) DMHAS did not have a monitoring mechanism to ensure that contracted providers adopted policies and procedures consistent with the DMHAS YAS Client Support Fund guidelines.

3) Changes in fiscal management and staff at DMHAS River Valley Services could have caused the confusion regarding fiduciary duties. The contracted provider also experienced a sudden management change, which led to a misunderstanding of its contractual responsibilities.

4) Insufficient program monitoring was due to lack of annual client budgets, cumulative client support fund reports, and documentation relating group activities to client treatment plans. Program employees followed past practices of holding fundraising activities, levying client fees, and increasing debit card balances prior to year-end to increase their flexibility in managing program expenditures. DMHAS management was not aware that proceeds from fundraising activities and client fees were never forwarded to the fiscal office for proper accounting and deposit.

Recommendation: The Department of Mental Health and Addiction Services should fully monitor the usage and reporting of the Young Adult Services Client Support Fund to ensure that funds are used for intended purposes. (See Recommendation 5.)

Agency Response: "The Department of Mental Health and Addiction Services ensures the monitoring and compliance of the Young Adult Services Client Support Fund. All funds are designated for client intended purposes. Additional oversight of each contract will be added by DMHAS OOC staff with stricter guidelines and more frequent intervals of management. Since the time of this audit, each program has developed policies and procedures to manage the determination of need, disbursement and management of client support funds. This process includes incorporating the use of client support funds onto the

individual's Recovery Plan of Care. Program Managers have been assigned to audit these entries within their programs monthly. It is not the intent for every client in YAS to have a representative payee but rather assign one when it is clinically indicated. Efforts will be made to comply with Rep –Payee Guidelines while teaching a client to develop money management skills and move toward financial independence. Each client is expected to have a current budget and an accounting of individual expenses within the programs.

Response to Condition #1: The contractor who reported an expenditure of client support funds totaling $622,590 was incorrectly categorizing overall group home operational costs as client support funds. This has been amended, and funds have been reclassified to the correct line item.

Response to Condition #2: A single provider was incorrectly allocating other living/activity expenses to YAS client support funds. This occurred during a transfer of fiduciary responsibilities to a private nonprofit provider. This has been corrected.

Response to Condition #3: The intent of Amendment 6 to contract # 11MHA2089AA is not for every client in YAS to have a representative payee but rather that the need for one to be clinically determined. The RVS YAS Program census was 50 clients. A minor number of clients received representative payee services. RVS was in the process of transferring the fiduciary services to a private non-profit provider. RVS continued in its role of overseeing the fiduciary process until the provider was able to secure necessary staff. This transfer of fiduciary responsibilities to the non-profit concluded on July 1, 2016.

Response to Condition #4: The Program Manager stated that copies of the attendance sheets are available. However, at the time of the review, they were not requested. The expenditures of $77,003 and $85,792 for group activities does not only cover social, recreational and educational activities, it also covers the costs for training, incentives for clients to participate in groups and materials needed for therapeutic groups. Clinical literature supports enrichment activities for this population to instill a hopeful future and motivate individuals towards higher education and employment. Correctly, client support funds are to be used for basic and necessary living expenses when a demonstrated financial need has been identified. These funds can also be used for supports identified in the individual's recovery plan, such as programming, educational pursuits, and enrichment activities. The report states that due to the absence of the attendance records, there was no verification of reasonableness for a staff to client ratio. Determining this reasonableness includes a clinical review of staff to

client ratio assessing risk issues associated with each client. DMHAS YAS will continue to be thoughtful of whether or not this type of activity is an appropriate expense and will only approve this type of trip after a thorough review. In regards to budgets not including utilities, the budget forms do include a section titled "SCG" which is the utility (gas) company in that area. If a client's utilities are covered in the rent or by other funds then they would not be reflected as being paid for in that month. SWCMHS has eliminated the practice of using gift cards. Also the total used for the trip was $3,000 of which receipts were given to the auditor and $2,000 was not used and returned. SWCMHS currently has a process where all expenditures can be tracked back to individual clients. YAS-OOC staff will review state guidelines regarding fund raising activities and work with the business office to develop appropriate procedures. The fiduciary has already established a separate accounting process which includes a separate account for fundraising events.

The effect states that "the lack of provider's policies and procedures led to a higher risk that YAS funds were spent in a manner not consistent with DMHAS guidelines." All programs have procedures that are followed. Compliance is monitored with monthly expense tracking forms reviewed by OOC YAS Directors of Community Programs and a fiscal liaison.

Auditor's Concluding Comments:

According to part II of the DMHAS Guidelines for Use of YAS Funds, it is recommended that clients receiving financial support for living expenses allow the agency to become representative payee to ensure the clients are capable of handling their own funds. Amendment 6 of contract 11MHA2089AA requires the contractor to provide money management services to YAS clients. The River Valley Services client fund balance sheet as of June 30, 2014 showed that 30 YAS clients were included in the DMHAS money management program. This was not a minor number out of the maximum contracted capacity of 50 clients.

The auditor further confirmed that no receipts were provided for the $5,000 gift cards in question.

Information Technology

Criteria:

1) Management of Software Inventory – Chapter 3 of the State of Connecticut Property Control Manual requires that licensed software with a cost of $1,000 or more is considered an intangible asset and must be capitalized in fiscal years 2013 and 2014. A software inventory must be established by all state agencies to

track and control software media, licenses or end user license agreements. Each agency is to designate a responsible party to establish and monitor the implementation of a software inventory as well as serve as a library administrator who will be responsible for the physical security and distribution of the software media and manuals.

2) Service Organization Controls (SOC) 2 Report – DMHAS management is responsible for implementing and maintaining effective internal controls over processing transactions, whether the processing is performed at the department or outsourced to a service organization. When the department has to rely on controls of a service organization's system, the department should require a service organization control report to ensure that its system has been examined of relevant control objectives. A SOC 2 report is intended to meet the needs of user organizations that need assurance about the controls at a service organization that affect the security, availability, and processing integrity of the systems the service organization uses to process user data and the confidentiality and privacy of the information processed by these systems.

3) Monitoring of Cellular Phones – Section 3-117 (c) of the General Statutes states that the commissioner of Administrative Services shall charge the appropriation of any state agency, without certification by such agency, for expenses incurred by such agency for basic telephone service. However, the agency shall certify to the commissioner of Administrative Services that such services were provided to such agency not later than 30 days following notification of such charge. The DAS Bureau of Enterprise Systems and Technology (BEST) procedures require agencies to verify monthly billing statements by returning the signed certification sheet and any exceptions within 30 days.

Condition:

1) Management of Software Inventory – Our review of the annual inventory reports (CO-59 reports) disclosed that the department understated its licensed software ending balances by $518,322 and $1,977,960 for the 2012-2013 and 2013-2014 fiscal years, respectively. Our review of 10 software items on the inventory list identified multiple recording errors. For example, 3 types of software selected for the review were never purchased. A software item was recorded with a cost of $200,000 when its related payment report showed a cost of $1,756,185. The software inventory report also did not include information required by the State Property Control Manual, such as the number of purchased licenses, software version, serial number, and initial installation

date. The department did not perform annual inventory of its software during the audited period.

2) Service Organization Controls (SOC) 2 Report – Per section 17a-485i of the General Statutes, DMHAS must operate a behavioral health recovery program (BHRP) to provide clinical substance abuse treatment, psychiatric treatment, and non-clinical recovery support services, not covered under Medicaid for individuals with substance abuse disorders or psychiatric disabilities who are eligible for Medicaid as low income adults. DMHAS contracted with a service organization to administer the BHRP. The service organization maintained an information system to provide access to BHRP providers and to frequently interface with the DMHAS information system to update claim and client information. However, the department's contract did not include a requirement that the service organization's information system was subject to a periodic risk assessment. The BHRP contract did not require a SOC 2 report from the service organization.

3) Monitoring of Cellular Phones – We reviewed 20 cellular phone statements at the Connecticut Valley Hospital and found that 8 phones were not being utilized for 7 to 12 months, costing the state approximately $860. Six statements were reviewed 4 to 9 months late. Two statements were still listed in the names of retired state employees. Three other statements were either not approved by the user's supervisor or missing the approval dates.

Effect:

1) When software inventory was not properly recorded and managed, the state was at a higher risk of violating software license agreements, which could result in a costly legal settlement.

2) Without requesting a SOC 2 report from the BHRP service organization, the department did not take sufficient steps to protect the confidentiality of client information being stored and processed by the service organization's information system. This practice also exposed the DMHAS information system to a higher security risk when allowing data interfacing with the service organization's system.

3) The Connecticut Valley Hospital did not exercise prudent management of cellular phones.

Cause:

1) Maintaining an accurate software inventory list was not made a priority. During the audited period, resources were allocated to DMHAS for installation of a new electronic medical records system and investigations of improper use of state computers.

2) While SOC reports have become a popular tool for user organizations to request from service organizations, the primary impediment was a lack of funding. Additional costs would be incurred to complete SOC reports, for which neither DMHAS nor the service organization had budgeted.

3) The untimely review of cellular phone statements was an oversight.

Recommendation: The Department of Mental Health and Addiction Services should comply with established policies and procedures regarding software inventory and cellular phones, and should consider requiring a service organization control report from its behavioral health recovery program (BHRP) service organization. (See Recommendation 6.)

Agency Response: "Management of Software Inventory: DMHAS IT Division will implement a Software Inventory reporting process that will ensure that DMHAS maintains an accurate and up to date set of CO-59 reports. This will include providing the complete set of information identified in the report that is necessary to track and control software media, licenses or end user agreements. Additionally, the new process will involve updating the software inventory on an ongoing basis in order to ensure that it is kept up to date and accurate at all times. The information contained in the report will include the information necessary to make the Software Inventory report compliant with the requirements contained in the State Auditor's report. As per the requirements defined in the auditor's report DMHAS will appoint a library administrator who will be responsible for establishing and monitoring the implementation of a software inventory process. This individual will also be responsible for the physical security and distribution of the software media and manuals."

Service Organization Controls (SOC) 2 Report: The Department will research further the applicability of this recommended (SOC2) report, the funding required, and the deemed benefit to the Department. Furthermore, the Department will make inquiry of the BHRP provider as to other compensating IT controls that the provider utilizes to safeguard client data and its efforts and frequency for monitoring and controlling IT risk."

Monitoring of Cellular Phones-Connecticut Valley Hospital: The CVH agrees with this finding in part. We acknowledge the delay or absence of approval on statements along with the delay in updating the statement names for phones returned by retirees and redistributed to the replacement employee. We have reiterated to employees the need

to return the statements signed in a timely manner, along with updating the assignment records.

In the case of phones that were found not to be utilized during the period, we have phones that are available to be used in cases of emergency. They are taken on patient transports and outings and would only be used in cases of emergency for notification and requests for assistance. The lack of phone calls in this case doesn't necessary indicate a lack of use. We will continue to maintain these phones to have them available for emergency use that will likely have little to no activity but are essential to patient and employee health and safety."

Purchasing Cards

Criteria: According to the State of Connecticut Purchasing Card Cardholder Work Rules, cardholders are responsible for the monthly completion of purchase logs and maintaining adequate transaction documentation, such as packing slips, vendor receipts, and pre-approved order forms. Both the cardholders and their supervisors are required to verify and sign monthly purchase logs to acknowledge the accuracy of charges in a timely manner. The cardholder work rules also prohibit state agencies from using purchasing cards (P-Cards) to circumvent the use of state contracts for goods and products that are procured by the Department of Administrative Services.

Condition:

1) Connecticut Mental Health Center – We reviewed 10 cardholder statements for 4 months, for which expenditures totaled $104,214. The review showed that purchase requisitions totaling $36,009 were not preapproved by the fiscal manager. Two cardholders purchased software, maintenance, and interpretation services totaling $2,231 without using state contract vendors or service rates. This practice resulted in unnecessary higher expenditures.

2) Connecticut Valley Hospital – We reviewed 20 statements comprising 207 purchases for $81,087 and found that in 16 instances, there was no effort to review for available state contracts. Purchases totaling $6,481 were procured from non-state contract vendors. Thirteen payments totaling $12,205 were made without evidence that services and goods were provided/received. In addition to 2 unsupported charges totaling $504, we found numerous instances of missing purchase requisitions totaling $17,833 and incomplete log sheets totaling $38,996. Upon receiving notification of the preliminary findings, the Connecticut Valley Hospital management informed us that new procedures were being implemented to correct the conditions.

3) Capitol Region Mental Health Center – Three out of 4 tested statements were not reviewed and approved by the cardholders' supervisors before the end of the month. The delays ranged from 3 to 26 days. In 1 instance, the purchase was made 21 days before it was approved by fiscal staff.

Effect: Noncompliance with P-Card work rules increases the risk of loss, and insufficient funds for purchases made on credit. It also weakens the department's ability to detect erroneous charges in a timely manner.

Cause: There appears to be an absence of effective supervision.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that purchasing cardholders adhere to the state's cardholder work rules. (See Recommendation 7.)

Agency Response: Connecticut Mental Health Center: "The CMHC Business Office has instructed staff initiating requisitions to utilize vendors on state contracts and to obtain approval prior to making purchases. Requisitions are reviewed by the Business Office for compliance prior to approval. In addition, instructions will be created on how to research items and vendors to make certain that state-approved contractors are utilized."

Connecticut Valley Hospital: "The CVH agrees with this finding. Upon notification from the Auditors of Public Accounts of this condition, Connecticut Valley Hospital did immediately put in place training materials, standardized processes, and documents for P-Card users to utilize as resources to assist them in following purchasing requirements as well as completing the necessary paperwork in a timely manner."

Capitol Region Mental Health Center: "Following a review of the audit findings, the CRMHC has revised its policy to align them with the DMHAS wide policy and now hand-delivers documents for the supervisor's signature to ensure timely authorization."

Connecticut Mental Health Center - Staffing Contract

Background: The Yale staffing contract defines a joint venture between DMHAS and Yale University for the administration and provision of services through the Connecticut Mental Health Center in New Haven. The contract expenditures were $15,510,215 and $16,703,293 for the fiscal years ended June 30, 2013 and 2014, respectively.

Criteria:

1) Sound business practice dictates proper monitoring of contract payments, including preparing a year-end reconciliation and following up on prior audit findings.

2) Section 4-213 of the General Statutes requires that contracts be executed prior to the initiation of services.

Condition:

1) Our review did not find evidence that DMHAS reviewed the final invoices submitted by Yale University. There was a discrepancy of $21,595 between Yale's final invoice for cash receipts and the DMHAS payment record for the 2014 contract year. This discrepancy had a direct effect on the amount reimbursed to DMHAS, yet there was no evidence that DMHAS followed up on the discrepancy with Yale. There was also no record on how the discrepancies noted in the prior audit were resolved.

2) Both of the contracts for the 2012-2013 and 2013-2014 fiscal years were approved 3 to 6 months after the contract commencement dates.

Effect:

1) There was a risk that DMHAS did not receive refunds or credits for the unexpended contractual funds.

2) Late contract approvals led to delays in staffing decisions and management of service capacity and cash flow.

Cause:

1) The 2 DMHAS contract and fiscal managers who had the best understanding of the Yale staffing contract retired prior to our review. The contract may have been properly monitored during their tenure, but documentation of their monitoring or communications could not be located.

2) Delays in contract execution were attributed to the complexity of the contracted services and compliance requirements.

Recommendation: The Department of Mental Health and Addiction Services should improve monitoring of the staffing contract with Yale University and execute its annual contract renewal in a timely manner. (See Recommendation 8.)

Agency Response: "The DMHAS will continue to work with Yale University to execute the contract either before July 1st or at the start of the fiscal year. Furthermore, the fiscal year 2017 Yale Staffing Contract was executed prior to July 1, 2016.

The DMHAS Budget staff will ensure going forward that payments and invoices are reconciled for the Yale Staffing contract. Budget staff will retain any documentation relevant to the reconciliation in a shared location so that it may be reviewed in subsequent periods if needed."

Management of Trustee Accounts

Criteria:

a) *Activity Funds* – According to the State Comptroller's Manual for Trustee Accounts, purchases should be made by using available state contracts and at the best prices obtainable. Expenditures should be for the benefit or welfare of clients. Gifts, services, or donations to private citizens are not allowed and considered unauthorized expenditures. All receipts greater than $500 are required to be deposited within 24 hours unless otherwise authorized by the State Treasurer. A pre-numbered cash receipt form should be used for trustee account transactions. The cash receipts are to be recorded daily in the cash receipts journal and should correspond with the bank deposit total.

   The State Comptroller also includes procedures in the Manual for Trustee Accounts to facilitate cash advances. According to the Comptroller's Internal Control Questionnaire for Cash Disbursements, sound control procedures should prohibit checks made to cash or the bearer. The department should immediately notify the bank of authorized check signers or when check signers are no longer authorized to sign checks. Sound business practices also require that the preparer and reviewer sign off on both financial statements and bank reconciliations and ensure that there are no discrepancies in the cash balances reported in both reports. Year-end accounting procedures require that financial statements of trustee accounts be prepared and filed with the Comptroller's office in the GAAP closing package. DMHAS policy requires that cash advances for food purchases be accounted for within 30 days of issuance or 5 days after issuance.

b) *Client Funds* – Due to the high cost of medical care, DMHAS is required to manage the cash balances of clients to avoid lapses in the clients' Medicaid eligibility status due to excessive cash-on-hand. To comply with requirements established by the federal Social Security Administration, enrollment forms for clients participating in the Representative Payee and Money Management Program should be maintained on file and client budgets should be updated no less than annually. Proper cash management procedures require staff to document and retain supporting documentation for all disbursements and review invoices for

accuracy prior to making payments. Disbursements of cash to clients should be substantiated by client receipt signatures.

Condition: Our review of trustee accounts maintained at various DMHAS facilities disclosed the following conditions.

1) Connecticut Valley Hospital:

   a) *Activity Funds* – The June 30, 2014 balance sheet included a receivable totaling $2,287, which reportedly represented phone cards issued to clients admitted to the Whiting Forensics Division prior to the 2011-2012 fiscal year. The receivable balance was not supported by a list of clients receiving the phone cards and hence appeared to be uncollectible. There were also discrepancies between the inventory and equipment balances in the financial statements and their balances in the annual inventory report. At June 30, 2013, the balance sheet presented a $0 balance for equipment and inventory while the annual inventory report indicated $440,070. At June 30, 2014, the balance sheet presented a $0 balance for equipment and inventory while the annual inventory report indicated $4,501. We tested 10 disbursements and found that 4 purchases either did not have supervisory approval or were not supported by a vendor invoice. The review of petty cash disbursements showed 2 out of 10 petty cash disbursements were not returned to the fiscal office within the required period of 5 days. The delay ranged from 1 to 22 days. DMHAS also spent $237 for an employee breakfast appreciation event that was prohibited by the department's policy.

   b) *Client Funds* – A review of the fund balances disclosed 3 clients in the 2012-2013 fiscal year and 5 clients in the 2013-2014 fiscal years who were entitled to Medicaid coverage with cash balances exceeding the asset limit of $1,600. We tested 248 cash disbursements to clients totaling $8,187 and noted that 142 disbursements totaling $3,768 did not include evidence of client receipt signatures attached to the disbursements.

2) River Valley Services:

   a) *Activity Funds* – We reviewed 10 disbursements totaling $1,978 and 10 receipts totaling $19,607. It was found that 80% of the tested receipts did not have any evidence of their receipt date. Therefore, we could not verify whether cash was deposited in a timely manner. Three expenditures totaling

$1,275 were not supported by vendor invoices or receipts. Petty cash disbursements were less than $6,000 a year, but were often not supported. Out of 10 disbursements, 4 (totaling $511) were not supported by vendor invoices. As such, we could not verify that funds were used for the approved requests. Three purchases totaling $931 lacked approval documentation.

b) *Client Funds* – A review of the fund balances showed 8 to 9 clients with cash balances exceeding the monthly asset limit of $1,600 for Medicaid eligibility during the audited period. A review of client fund disbursements showed that 26% were not supported by invoices from the utility companies.

3) Southwest Connecticut Mental Health System:

a) *Activity Funds* – Exceptions were noted in 12 out of 13 tested transactions. Nine transactions totaling $9,229 did not include sufficient documentation. These transactions were mostly cash advances for caseworkers to take patients to the movies; purchase coffee, lunches, dinners; or buy craft supplies for patient activities. Vendor receipts were included without documentation of participating clients or the nature of the events. Vendor invoices were partially paid for by gift card balances without notation of the gift card's issuance dates or the gift-card assignees. As such, we could not determine whether the expenditures were reasonable or were for legitimate client purposes. Two disbursements totaling $873 were coded to the wrong expenditure accounts, which could affect the department's ability to recover the funds. None of the transactions included supervisory review and approval. The Weekly Use of Cash Fund Logs was submitted without supervisory approvals to verify that cash advances were used for program activities. Variances in comparative reports of annual revenues and expenses were not reviewed and explained. During the 2013-2014 fiscal year, revenue from vending machine commissions declined 71%, or $9,781, without any explanation. We observed that the filing system for disbursements made it very difficult to locate supporting records. The region filed supporting documentation by the date that employees provided vendor invoices against cash advances which could be 1 or 2 months after the cash advance dates.

b) *Client Funds* – Unlike other regions, where the fiscal offices were responsible for managing client funds, the Southwest Connecticut Mental Health System outsourced this function to

a contractor. Our interviews with the program management and contractor employees indicated that there was no formal process or independent monitoring of case managers' performance for trends in noncompliance or inappropriate performance.

We also noted that the department's case management system could not generate a comprehensive report on the financial status of all clients and whether their funds were being managed by third-party entities. The region only had clinical, client-specific records of clients subject to involuntary financial conservatorship. This deficiency prevented DMHAS management from monitoring the completeness of the contractor's client files and hindered DMHAS' ability to evaluate the effectiveness and achievement of its money management program.

4) Southeastern Mental Health Authority:

   a) *Activity Funds* – DMHAS did not prepare and submit year-end financial statements to the Office of the State Comptroller during the audited period. Our review of 10 receipts totaling $14,642 disclosed that 5 receipts, totaling $12,264, were not recorded in the cash receipts log. The daily cash receipts log was not reconciled to the bank deposit slips. Our review of 10 disbursements totaling $5,937 showed that three disbursements for $1,120 were made out to "cash" rather than to employees who were responsible for the planning of patient activities. Disbursements for the Veteran's Program Fund totaling $3,000 were tracked in an Excel spreadsheet for a year instead of using the activity fund ledger system. We also noted that the petty cash account was not balanced or replenished to the authorized limit. Expense vouchers were not held within the cash box. Therefore, the on-hand cash balance could not be reconciled to the authorized limit.

5) Capitol Region Mental Health Center:

   a) *Client Funds* – We reviewed 10 client accounts and found that the disposition of 2 client fund balances, totaling $776, did not include sufficient documentation. Another account was not closed within a 90-day inactive period. The account was closed 127 days after the final disbursement, or 37 days late.

6) Western Connecticut Mental Health Network:

a) *Activity Funds* – DMHAS did not submit financial statements for the trustee accounts under its control to the Office of the State Comptroller during the audited period. The bank signature cards of 6 bank accounts were not current and did not include a complete list of authorized check signers. Three out of 15 tested receipts, or $5,700, were not deposited within 24 hours. Two other receipts had no evidence of receipt dates. A review of 25 disbursements showed missing supporting vendor invoices in 3 instances and no supporting documentation for the distribution of 5 gift cards totaling $1,880. There was no prior approval for 5 other disbursements totaling $1,281.

b) *Client Funds* – We reviewed 15 client accounts and found that enrollment forms and annual budgets were not on file for 4 clients. Payments made to 5 clients were not supported by client receipt signatures. Utility payments from 2 accounts were not supported by invoices from the utility companies. There were also exceptions with the cash ledger for 4 clients. Cash ledgers were either missing or were not reconciled to the ledger balance maintained by the fiscal office. None of the monthly bank reconciliations during the audited period were reviewed by a supervisor.

Effect: These deficiencies increased the risk of undetected fraudulent activities, losses, and mismanagement of trustee accounts.

Cause: Due to the need to maintain client confidentiality, client names were not disclosed in disbursement documents of activity funds or electronic communications among various DMHAS divisions. This led to the lack of communication regarding client fund balances among DMHAS employees responsible for monitoring Medicaid asset limits and the auditor's inability to verify that funds were spent for client benefits.

Regional fiscal offices also experienced staff turnover that resulted in missing records, oversight in updating bank signature cards, and preparation of trustee account year-end financial statements.

Recommendation: The Department of Mental Health and Addiction Services should strengthen internal controls over trustee accounts. (See Recommendation 9.)

Agency Response: "Connecticut Valley Hospital: CVH agrees with this finding. The hospital is working to reconcile the equipment inventory and other items to ensure assets are properly represented on the financial documents. We have reiterated the rules regarding the need for

requisitions, invoices or receipts for all disbursements. We continue to notify employees of the need to return receipts within five days at the time the advance is given and then make follow up contact. The employee food purchase was charged to Activity Fund in error and has since been charged to the general fund and the Activity fund has been reimbursed. In addition, CVH has created a report for Social Workers that allows them to review the patient balances to ensure compliance with Medicaid asset limits. Valley Finance has created a new book like format for Patient Accounts withdrawal slips to ensure compliance with verification that patients receive their funds and the documentation remains in the book."

River Valley Services: RVS agrees with this finding. All employees handling receipts have been trained on the proper procedures and the necessary documentation for transactions. Valley Finance will also supply Social Workers at River Valley Services with monthly reports to assist in complying with Medicaid asset limits."

Southwest Connecticut Mental Health System: The SWCMHS will address these findings by implementing the following:

Activity funds - Effective 9/1/16, the SWCMHS will institute a new procedure and form which requires delineation of the nature of the event/activity and the number of clients involved. The new form will require managerial authorization. The procedure will also require that all unused monthly activity funds be returned to the business office within 30 days of disbursement. Gift cards will no longer be used for client activities. Furthermore, the SWCMHS will implement a comparative report analyzing abnormalities in annual revenues and expenses.

Client funds – The SWCMHS will work with the Department's administrative services organization to develop a "case managers outliers report" to identify trends in non-compliance and inappropriate performance. Furthermore, a summary report of financial status and management by third party entities will be developed.

Southeastern Mental Health Authority: Although the year-end financial statements for the fiscal year 2014 were provided to the auditor upon arrival at SMHA, it was an oversight that the report was not filed with the Comptroller's Office. This was an isolated exception. Instructions to include these statements with the GAAP report have been added to the Trustee Account file to ensure that these reports are prepared at year end. In addition, a restricted subaccount has been added to account separately for Veteran's Program activity funds. Deposits and disbursements will be tracked using this restricted

account code.

Cash advances will now be made payable in employee name, rather than "cash". The local bank branch was not accepting checks made payable in an employee name, if that employee did not have an account with the bank. This was causing difficulty in issuing payments. The bank indicated they would cash checks made payable to "cash" as it was drawn on their bank, thus the practice was instituted at least five years ago to issue payment to "cash".

The petty cash account cash box had been inactive for several years, but based on a previous audit recommendation, it was reinstated and used on a very limited basis. The authorization for the account stated an amount up to $800, but due to its limited use, the account was never replenished to that level. Instead it was balanced to $400 which was not cited as a finding in two previous audits. Based on this most recent audit finding, the account is now maintained at the $800 level.

Capitol Region Mental Health Center (CRMHC): In instance #1, a client check was deposited by his conservator with the Center's Management Services Division (MSD) which is responsible for client money management. The client was transferred on an emergency basis to another hospital. The cash was transferred to the other hospital, but the return receipt was actually an account balance that showed more money than transferred due to an additional deposit being made in the interim.

In the future, the CRMHC will ensure that all return receipts reflect only the amount of money transferred.

In instance # 2, in anticipation of a clients' release from the Department of Correction the client's conservator deposited a check with the MSD. Subsequently, the client was not released from DOC, as had been expected. MSD voided the check and returned it to the conservator. At about the same time, the conservator died. The new conservator covering the judicial caseload was not assigned to the client. However, the CRMHC did have full documentation that the check had been returned.

In instance # 3, due to clinical considerations of potential risk, the clinical team requested the MSD to "make" an account inactive for a period longer than allowed by our policy. In the future, clinical considerations will be brought to clinical forums and MSD will adhere to policies governing inactive accounts.

Additionally, the MSD will create a monthly review to identify

inactive accounts and take appropriate action in a timely manner."

Western Connecticut Mental Health Network: 1) With respect to not filing financial statements for the Trustee Accounts to the Comptroller's Office, this was a simple oversight which will not repeated. 2) With respect to bank signature cards not being current and not maintaining a complete list of check signers, we have initiated a process to review all bank card signatories and will complete this activity of updating signature card in due course.

With respect for three out of 15 receipts not being deposited within 24 hours (which is done at each clinical site) along with the finding regarding missing vendor invoices and no gift card supporting documentation, the Fiscal Department along with site representatives will be reviewing current policies and procedures and will make necessary adjustments including but not limited to a review of all standard operating procedures regarding this issue.

For four out of the 15 client accounts reviewed for which enrollment forms and annual budgets were not on file, the Fiscal Department will be reviewing and making changes to our current system to include monthly audits, along with local site checklists to ensure compliance.

For five payments made to clients which were not supported by client receipt signatures this will be addressed by a systematic checklist protocol to ensure compliance with this requirement at each of our sites.

For utility account invoices, which were not supported, we require invoices to make payments, and will not permit processing in the future without invoices attached to check payment requests.

For the four out of 15 cash ledgers that were either missing or not reconciled with the electronic ledger (i.e. Quick-books) maintained by the fiscal office, we will be exploring what technical requirements are necessary to upgrade the Quick-books system to provide broader access, and making necessary changes where possible.

For the monthly bank statement reconciliations that were not initialed to note that a supervisor had reviewed them, we have now instituted the practice of having both the preparer and the supervisor sign these documents each month for each checking account. We will establish controls (a master checklist) to ensure these signoffs are done and completed in a timely manner."

Petty Cash Funds

Criteria: Purchases made by state agencies are exempt from sales and use taxes in Connecticut under Section 12-412 (1) (a) of the General Statutes.

Petty cash funds of each program subdivision within DMHAS are budgeted on an annual basis and are to be used for activities to support patient rehabilitation. Examples of such rehabilitative activities include community trips and activities to help develop patients' interpersonal skills and decision-making abilities, including the selection of healthy food. Departmental procedures and good business practices require that timesheets be signed and dated by both the patient workers and their supervisors to attest to the validity of reported work hours.

Condition: The Connecticut Valley Hospital disbursements of General Fund petty cash were $68,221 and $72,404 during the 2012-2013 and 2013-2014 fiscal years, respectively. Our review disclosed excessive spending for fast food, coffee, soda, and candy. Food-related expenditures totaled $35,425 and $46,642 during the 2012-2013 and 2013-2014 fiscal years, respectively, or 58% of the total petty cash disbursements for the audited period. This condition was troubling because the hospital employed full-time cooks and dieticians to offer healthier and less costly meals to its patients. Our review at other DMHAS regional offices did not show similar spending for fast food, coffee, soda, and candy. Through our review, we also noted that more than 50% of transactions reviewed at the Connecticut Valley Hospital included sales tax totaling $133.

The General Fund petty cash account was also used to pay patients who enrolled in therapeutic work programs at the hospital. Our review of 20 patient timesheets disclosed that 12 timesheets did not contain approvals of either vocational staff or program supervisors; 7 timesheets included pre-typed or photocopies of vocational staff and supervisor approval signatures; and 3 instances of patients signing the timesheets before the pay period end date.

Effect: The lack of written policies governing the use of petty cash funds increases the likelihood of misuse. It did not appear that the Connecticut Valley Hospital took sufficient action to limit spending for fast food, soda, and candy.

Cause: There was no written policy or training procedure to limit the purchase of fast food, candy, and soda for clients. Oversight over patient timesheets was lacking.

Recommendation: The Connecticut Valley Hospital should strive to reduce spending on fast food, candy and soda, and instead maximize the use of its in-house food preparation services and improve controls over petty cash funds. (See Recommendation 10.)

Agency Response: "Connecticut Valley Hospital: The CVH agrees with this finding in part. There are valid reasons for patients to have meals outside of the hospital setting. The primary reason is patients of the hospital often have medical appointments outside of the hospital and these appointments cross over meal times. Since all meals are provided to patients at the hospital, if a patient misses a meal time and won't be returning to the hospital within a reasonable period of time after meal time, employees accompanying the patient would be required to provide a meal for the patient. This is something that happens at CVH with more frequency because we provide all meals to our clients, the length of stay of the patients making the likelihood of needing outside medical care more likely, and the number of patients compared to other locations. The most reasonable solution is to acquire a meal at a fast food restaurant because of convenience and cost. The second scenario that leads to patients to having a meal or a drink at an inexpensive restaurant is providing the patient with a normalizing activity or outing for therapeutic reasons. Patients on longer term stays require these types of community integration activities for successful transitions post hospitalization. The payment of sales tax although it reduces the CVH budget, it is not lost to the State, as it returned to the State as revenue. It can be exceptionally difficult if not impossible for a State employee to have state tax removed from a fast food order. The vendors are not prepared to waive the tax in automated systems and there is often no one available at the restaurant authorized to override the taxing of the meal. The employee must consider the time it would take to negotiate the waiving of the state tax and the employee's care responsibilities to the patient. We instruct employees to pursue not paying taxes whenever possible and reasonable. This is often not possible at fast food restaurants.

The facility has worked with the Vocational Rehabilitation supervisors to ensure that timesheets are properly approved and verified. Valley Finance employees are verifying the documentation before processing the payroll."

Auditor's Concluding Comment:

While we agree that occasional fast food purchases may be necessary, we recommend that CVH reduce the high frequency of candy, fast food, and soda purchases. We observed that CVH incurred these purchases more often than other DMHAS regional offices and hospitals.

RECOMMENDATIONS

Our prior report on the Department of Mental Health and Addiction Services contained 12 recommendations. Of those recommendations, 2 have been implemented or otherwise resolved, and ten are being repeated in modified form. As a result of our current examination, we have included ten recommendations.

Status of Prior Audit Recommendations:

- *The Department of Mental Health and Addiction Services should comply with Section 4-33a of the General Statutes, which requires prompt notification to the Auditors of Public Accounts and the State Comptroller when there is a breakdown in the safekeeping of state resources.* The department has complied with this recommendation. The current review did not identify any breakdown in the safekeeping of state resources that the department failed to report. As a result, the recommendation is not being repeated.

- *The Department of Mental Health and Addiction Services should establish formal policies and procedures for self-service payroll, which includes time and attendance data entry, the approval process, and records retention.* As of the date of our current review, the department has not implemented self-service payroll procedures. We also noted other payroll conditions that warrant management attention. The recommendation is repeated in modified format. (See Recommendation 1.)

- *The Department of Mental Health and Addiction Services should improve oversight of its payroll and personnel procedures and practices.* Our current review noted repeated instances of excessive overtime hours, excessive physician on-call hours, missing records, missing approvals, and other personnel-related matters. As a result, the recommendation is modified and repeated. (See Recommendation 2.)

- *The Department of Mental Health and Addiction Services should improve controls over personal service agreements.* In our current review, we continued to find that personal service agreements were not executed in a timely manner and landlord agreements were missing for the Housing Assistance Program. (See Recommendation 3.)

- *The Department of Mental Health and Addiction Services should increase its recruiting efforts to reduce its reliance on temporary psychiatrists and should implement verification procedures to ensure that billed hours can be traced to actual service hours worked.* Our current review disclosed that the department significantly reduced its expenditures for temporary service from $3.8 million in the calendar year 2013 to $2.7 million in the calendar year 2014 and $2 million in the calendar year 2015. Through various employment initiatives, the department hired 26 psychiatrists to fill permanent and per diem positions during the 2014 and 2015 calendar years. In September 2015, the department also stopped using contracted psychiatrists at the Connecticut Valley Hospital where most of the prior audit conditions were noted. The prior audit recommendation is resolved.

- *The Department of Mental Health and Addiction Services should comply with procurement standards for purchase of service contracts established by the Office of Policy and Management and ensure that providers are in compliance with state laws requiring annual updates of gift and campaign contribution affidavits.* The current review noted similar deficiencies and also new findings related to purchase of service contracts. The recommendation is being repeated in modified form. (See Recommendation 4.)

- *The Department of Mental Health and Addiction Services should consider adding the Young Adult Services Fiduciary Fund program description and requirements to its purchase of service contracts and should improve its monitoring of budgeted expenditures and bank balances for Client Support Funds*. While the current review found that the department took action to amend its contracts during the 2013-2014 fiscal year to include provisions for the Young Adult Service Client Support Funds, we continued to identify missing contractual requirements and other deficiencies that warrant management's attention. The recommendation is being repeated in modified form. (See Recommendation 5.)

- *The Department of Mental Health and Addiction Services should comply with state telecommunication procedures for monitoring and verifying cell phone charges.* While findings related to cell phones were resolved at most DMHAS regional offices, we continued to find deficiencies at the Connecticut Valley Hospital. The current review also identified other deficiencies related to the management of software inventory and service organization control reports. This recommendation is repeated in modified form. (See Recommendation 6.)

- *The Department of Mental Health and Addiction Services should ensure that purchasing cardholders adhere to the state's Cardholder Work Rules.* Our current review disclosed similar conditions. The recommendation is repeated. (See Recommendation 7.)

- *The Department of Mental Health and Addiction Services should consider additional contractual terms to clearly define reporting responsibilities and carry forward requirements for the staffing contract with Yale University and execute its annual contract renewal in a timely manner.* Our current review continued to disclose late contract execution and lack of follow-up on prior audit findings. The recommendation is being repeated in a modified form. (See Recommendation 8)

- *The Department of Mental Health and Addiction Services should strengthen internal controls over trustee accounts.* Our current review showed a repeat of prior audit findings. The recommendation is being repeated. (See Recommendation 9.)

- *The Department of Mental Health and Addiction Services should increase supervisory review of petty cash operations and establish written guidance on the acceptable use of petty cash funds for patient and state employee activities.* Our current review of petty cash disclosed improvement at most of the department's regional offices except for the activities at the Connecticut Valley Hospital. We found excessive spending of petty cash

funds for fast food, soda, and candy while the hospital offered healthier food options. Exceptions were also noted in the processing of patient timesheets. The recommendation is being repeated in a modified form. (See Recommendation 10.)

Current Audit Recommendations:

1. **The Department of Mental Health and Addiction Services should establish formal policies and procedures for self-service payroll and monitor physicians' on-site on-call hours, compensatory hours, and the usage of the Leave-In-Lieu of Accrual reporting code.**

   Comment:

   The department has not enacted new payroll procedures since the implementation of self-service attendance in Core-CT. Employees were paid for excessive on-site on-call hours, or granted compensatory hours and Leave-In-Lieu of Accrual hours without proper approvals and adjustments.

2. **The Department of Mental Health and Addiction Services should improve oversight of its personnel procedures and practices.**

   Comment:

   Our review disclosed that personnel files were missing essential documents, which could affect an employee's eligibility for benefits and wages. We also noted deficiencies in overtime practices and the administration of paid administrative leave.

3. **The Department of Mental Health and Addiction Services should improve controls over personal service agreements and housing assistance contracts.**

   Comment:

   Personal service agreements were not approved before the service commencement date. DMHAS also paid landlords in the housing assistance program without executing agreements.

4. **The Department of Mental Health and Addiction Services should comply with procurement standards for purchase of service contracts established by the Office of Policy and Management and ensure that providers are in compliance with state ethics laws requiring annual updates of various affidavits.**

   Comment:

   We found several instances of late contract executions and missing ethics affidavits.

5. **The Department of Mental Health and Addiction Services should fully monitor the usage and reporting of the Young Adult Services Client Support Fund to ensure that funds are used for intended purposes.**

   Comment:

   The current review showed missing records, unavailable reports, missing contract provisions or uncertainties that the Young Adult Services Client Support Fund was spent for its intended purposes.

6. **The Department of Mental Health and Addiction Services should comply with established policies and procedures regarding software inventory and cellular phones, and should consider requiring a service organization control report from its behavioral health recovery program (BHRP) service organization.**

   Comment:

   The current review showed that software inventory did not include essential information such as license version and number of licenses. We also noted that the department's contract with the service organization did not include a requirement for a service organization control report.

7. **The Department of Mental Health and Addiction Services should strengthen internal controls to ensure that purchasing cardholders adhere to the state's cardholder work rules.**

   Comment:

   It appeared that purchasing cards were used to circumvent state purchasing regulations by buying merchandise and services from vendors not under contract with the state.

8. **The Department of Mental Health and Addiction Services should improve monitoring of the staffing contract with Yale University and execute its annual contract renewal in a timely manner.**

   Comment:

   There was no evidence that the department took steps to resolve the prior audit findings. Discrepancies in year-end invoices were not reviewed and resolved with Yale University.

9. The Department of Mental Health and Addiction Services should strengthen internal controls over trustee accounts.

Comment:

Annual financial statements of trustee accounts were not prepared. Other deficiencies in records maintenance reduced assurance that trustee funds were distributed for the benefit of clients.

10. The Connecticut Valley Hospital should strive to reduce spending on fast food, candy, and soda, and instead maximize the use of its in-house food preparation services and improve controls over petty cash funds.

Comment:

We continued to note excessive purchases of fast food, candy, and soda for clients while healthier and less costly food options were offered at the hospital.

CONCLUSION

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by officials and staff of the Department of Mental Health and Addiction Services during the examination.

Thu Ann Phung
Principal Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert J. Kane
Auditor of Public Accounts